

## Message Text

UNCLASSIFIED

PAGE 01 ADDIS 01581 051418Z  
ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01  
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06  
SP-02 LAB-04 SIL-01 OMB-01 AGRE-00 DODE-00 PA-02  
SS-15 NSC-05 L-03 OPR-02 PER-05 /105 W  
-----123267 052258Z /62

R 051301Z APR 78  
FM AMEMBASSY ADDIS ABABA  
TO SECSTATE WASHDC 7944  
INFO AMEMBASSY DJIBOUTI

UNCLAS ADDIS ABABA 1581

E.O. 11652: N/A  
TAGS: EGEN ET  
SUBJECT: PRICE TRENDS IN ETHIOPIA

1. SUMMARY: OFFICIAL PRICE STATISTICS INDICATE  
THAT THE COST OF LIVING IN ADDIS ABABA INCREASED  
14.1 PERCENT IN 1977, LARGELY DUE TO RISES IN FOOD PRICES AND  
THE COST OF HOUSEHOLD ITEMS OF ALL KINDS. SHORTAGES  
CONTRIBUTING TO THE PRICE INCREASES WERE DUE  
LARGELY TO WAR CONDITIONS AND DISRUPTED TRANSPORTATION  
AND DISTRIBUTION SYSTEMS. ANTICIPATED IMPROVEMENTS  
IN THESE LATTER TWO FACTORS GIVE RISE TO AN ESTIMATED  
10 - 12 PERCENT INCREASE IN THE ADDIS ABABA RETAIL  
PRICE INDEX IN CY 1978. END SUMMARY.

2. PRICE TRENDS IN ETHIOPIA DO NOT LEND THEMSELVES  
TO VERY ACCURATE FORCASTING DURING THE PRESENT  
UNSETTLED TIMES. THIS IS PARTICULARLY TRUE IN THAT  
PERSONNEL AND PROCEDURAL CHANGES AT THE CENTRAL OFFICE  
OF STATISTICS ARE BELIEVED TO HAVE UNDERGONE  
A QUALITY DECREASE.

3. DURING CY 1977, THE ADDIS ABABA RETAIL PRICE  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ADDIS 01581 051418Z

INDEX INCREASED 14.1 PERCENT (TOTAL INDEX ROSE FROM  
236.6 TO 270.8; BASE YOUR 1963: 100). FOOD, WHICH IS  
WEIGHTED AS 57.4 PERCENT OF THE TOTAL INDEX, INCREASED  
FROM 270.9 TO 303.8, OR 12.1 PERCENT. THE LARGEST  
INCREASE OF ANY GROUP WAS IN THE HOUSEHOLD ITEMS  
CATEGORY (WEIGHTED 17.1 PERCENT). THIS CATEGORY ROSE FROM  
233.0 TO 293.2, OR 25.8 PERCENT. THE OTHER CATEGORIES IN THE

INDEX ARE CLOTHING, TRANSPORTATION, MEDICAL CARE, PERSONAL CARE, READING AND RECREATION, AND OTHER. INCREASES IN 1977 IN THESE CATEGORIES WERE, RESPECTIVELY, 11.1 PERCENT, 16.9 PERCENT, 7.3 PERCENT, .008 PERCENT, .009 PERCENT AND 23.1 PERCENT. LACK OF TRANSPORTATION AND WAR CONDITIONS WITHIN THE COUNTRY WERE PRIMARILY RESPONSIBLE FOR REDUCING THE AVAILABILITY OF HOUSEHOLD ITEMS AS WELL AS FOOD (MAJOR CROP ARRIVALS IN ADDIS ABABA DECLINED BY 37.1 PERCENT OVER THE ONE YEAR PERIOD ENDING SEPTEMBER 1977 PER NBE QUARTERLY BULLETIN, DEC 1977), A MAJOR FACTOR IN BOOSTING THE PRICE TREND. ATTEMPTS TO DAMPEN PRICES THROUGH CONTROLS WERE INEFFECTIVE. SINCE MANY RAW MATERIALS AND CONSUMER ITEMS COULD ONLY BE IMPORTED BY AIR, PRICE WERE FURTHER BOOSTED BY EXPENSIVE AIR FREIGHT CHARGES.

4. DURING CY 1978, PRICES COULD STABILIZE OR EVEN DECLINE SOMEWHAT, PROVIDED THE RAILROAD BETWEEN ADDIS ABABA AND DJIBOUTI IS REOPENED, INTERNAL TRANSPORTATION AND DISTRIBUTION IS IMPROVED, PRICE CONTROLS ARE MORE STRICTLY IMPLEMENTED, AND THERE IS A NORMAL HARVEST. (CURRENT INDICATIONS ARE THAT THE RAILROAD COULD BE REOPENED BY AS SOON AS MID-MAY; HARVEST EXPECTATIONS ARE VERY OPTIMISTIC.) THIS TENDENCY COULD WELL BE OFFSET BY AN INCREASE IN MONEY IN CIRCULATION (PARTICULARLY AS IT WILL LIKELY GO TO LOWER INCOME GROUPS WHICH HAVE A HIGHER UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ADDIS 01581 051418Z

PROPENSITY TO CONSUME), COMBINED WITH FEWER ITEMS ON WHICH TO SPEND IT. THIS LATTER IS DUE TO INCREASING IMPORT RESTRICTIONS ON CONSUMER ITEMS AND A DECLINE IN LOCAL PRODUCTIVITY. AN INCREASE IN MONEY IN CIRCULATION IS LIKELY TO STEM FROM ETHIOPIA'S EXPANDED MILITARY PAYROLL, AND FROM EXPECTED LOCAL EXPENDITURES FOR REHABILITATION PROJECTS. UNDER THE CIRCUMSTANCES, THE BEST PRESENT EMBASSY ESTIMATE IS THAT THE RETAIL PRICE INDEX IN CY 1978 WILL INCREASE AROUND 10 - 12 PERCENT. MATHERON

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRICE TRENDS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 jan 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978ADDIS01581  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780147-0773  
**Format:** TEL  
**From:** ADDIS ABABA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780492/aaaadaab.tel  
**Line Count:** 104  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** d3087db6-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION AF  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 16 mar 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3074398  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PRICE TRENDS IN ETHIOPIA  
**TAGS:** EGEN, ET  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/d3087db6-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014